

## Message Text

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17 11  
ACTION EB-11

INFO OCT-01 EUR-25 IO-15 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

DRC-01 OIC-04 /192 W  
----- 096381

R 281733Z SEP 73  
FM USMISSION GENEVA  
TO SECSTATE WASHDC 1871  
INFO AMEMBASSY MADRID  
US MISSION EC BRUSSELS 3519

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E.O. 11652: N/A  
TAGS: ETRD, GATT,SP  
SUBJ: GATT: SPANISH IMPORT RESTRICTIONS

REF: GENEVA 4033; MADRID 5229

1. AT INVITATION GATT COUNCIL CHAIRMAN (KITAHARA) SELECTED HEADS OF DELS MET SEPT 27 TO DISCUSS HOW TO HANDLE SPANISH IMPORT RESTRICTIONS WHEN COUNCIL RESUMES DISCUSSION OCT 19. ATTENDING WERE AMBS OF DEN, SWEDEN, FINLAND AND BELGIUM, FRENCH GATT REP (COLMANT), SWITZ (DUNKEL) AND US (MILLER). SWEDISH AND DANISH AMBS WERE MOST VOCAL CRITICS OF SPANISH PERFORMANCE AT LAST COUNCIL MEETING (GENEVA 4033) AND SUGGESTED SPAIN HAD TO BE TOLD TO RESPECT RULES OF GATT AS OTHER EUROPEAN COUNTRIES HAD DONE YEARS AGO WHEN IMF RULED BALANCE OF PAYMENTS JUSTIFICATION FOR THEIR IMPORT RESTRICTIONS HAD DISAPPEARED. WITH EXCEPTION OF BELGIAN AND FRENCH REPS, ALL OTHERS PRESENT AGREED SPAIN HAD NO ECONOMIC CASE AND SOME WAY HAD TO BE

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FOUND TO PERSUADE GOS TO SET FIRM TIMETABLE FOR LIBERALIZA-

TION AND ONE WHICH WOULD NOT BE SO SEISURELY AS TO PERMIT RETENTION OF SIGNIFICANT NUMBER OF RESTRICTIONS THROUGHOUT MTN. FRENCH REP DID NOT TAKE CLEAR POSITION ON SUBSTANCE OF CASE BUT WAS NOT IN FAVOR OF PRESSING SPAIN TOO HARD; HE DID NOT, HOWEVER, DISSENT FROM CONCLUSION DRAWN BY AMB KITAHARA AT END OF DISCUSSION, I.E., THAT KITAHARA WOULD SPEAK PRIVATELY TO SPANISH AMB AND TELL HIM MANY MAJOR CPS CONSIDER SPAIN HAS NO JUSTIFICATION FOR RETENTION OF RESTRICTIONS; FRIENDLY ADVICE BY COUNCIL CHAIRMAN IS SPAIN SHOULD BE PREPARED OCT 19 TO OFFER TIMETABLE FOR LIBERALIZATION.

2. PRIOR TO MEETING SUMMARIZED ABOVE, EC REP (LUYTEN) TOLD US EC HAS NOT YET CONSIDERED AN EC POSITION ON SUBJECT. HIS PERSONAL PREDICTION WAS EC WOULD SIT ON ITS HANDS, NEITHER CRITICIZING NOR DEFENDING SPAIN PUBLICLY. HE DOUBTED EC WOULD SUBSCRIBE TO ANY "HARD" GATT COUNCIL ACTION AGAINST SPAIN, AN EC ASSOCIATE. (WE BELIEVE BELGIAN AND FRENCH POSITION PARA 1 ABOVE IS NOT INCONSISTENT WITH THIS FORECAST SINCE KITAHARA APPROACH WILL NOT INVOLVE EITHER EC OR MEMBER COUNTRIES BY NAME; MOREOVER, WE DOUBT SPAIN WILL RESPOND POSITIVELY TO KITAHARA INITIATIVE; SPAIN PROBABLY COUNTING ON SUPPORT FROM SPANISH-SPEAKING LDCS PLUS BENEVOLENT NEUTRALITY OF EC TO PRODUCE CONTINUED IMPASSE IN GATT COUNCIL).

3. DUNKET (SWITZ) SAID ONE ELEMENT OF HOPE FOR ACTION BY SPAIN IS DIVISION WITHN SPANISH GOVT, FINANCIAL PEOPLE HAVING GONE ALONG WITH FUND FINDING AND WANTING LIBERALIZATION WHILE TRADE PEOPLE WANT TO HOLD ON TO RESTRICTIONS PARTLY FOR REASONS OF PENDING EC AND MTN NEGOTIATIONS.

4. MISSION OF COURSE WILL REPORT ANY DEVELOPMENTS FROM KITAHARA INITIATIVE WHICH REACH US PRIOR OCT 19. MEANWHILE, SUGGEST WASHDC AGENCIES BEGIN PREPARING US POSITION ON ASSUMPTION SPAIN STANDS PAT AT COUNCIL AND DECLINES ACCEPT IMF AND GATT B/P COMMITTEE CONCLUSIONS. IN MISSION VIEW, SIGNIFICANCE OF SPANISH CASE IS CON-

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SIDERABLE, DUE TO RARE CLEAN-CUT IMF RECOMMENDATION THAT RESTRICTIONS HAVE NO JUSTIFICATION. FAILURE OF GATT TO INCREASE PRESSURE ON SPAIN NOW TO DISMANTLE RESTRICTIONS WOULD SERIOUSLY UNDERMINE EFFECTIVENESS OF GATT RULES IN DEALING WITH UNJUSTIFIED RESTRICTIONS IN FUTURE CASES. IT WOULD ALSO AID AND COMFORT COUNTRIES SUCH AS SOUTH AFRICA WHICH ARE SUPPLYING IMPORT RESTRICTIONS WITHOUT ANY LEGAL COVER.

5. MISSION CONSIDERS THIS QUESTION OF PRINCIPLE TO BE  
THE PRIME CONSIDERATION, REGARDLESS OF WHETHER US EXPORTS  
ACTUALLY DAMAGED. CASE FOR PRESSING SPAIN WOULD BE  
FURTHER STRENGTHENED IF WE CAN ILLUSTRATE TRADE DAMAGE,  
BUT MISSION UNABLE DETERMINE EXTENT TO WHICH RESTRICTIONS  
AFFECT US. REQUEST WASHDC ANALYSIS TRADE EFFECTS AND  
INDICATION OF WHETHER WE CAN SAY AT OCT 19 GATT COUNCIL  
THAT WE HAVE HAD ACTUAL COMPLAINTS FROM EXPORTERS.  
BASSIN

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